

Legislative Report

Washington State License Suspension Program

October 2000 - September 2001

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Executive Summary

License Suspension Program

- In 1997, the Washington State Legislature authorized the Department of Social and Health Services (DSHS), through the Division of Child Support (DCS), to develop and implement a license suspension program. The program targets noncustodial parents who are more than six months delinquent in their child support obligation.
- EHB 3901 authorized DCS to suspend licenses that noncustodial parents receive from various agencies including Department of Licensing (DOL), Labor & Industries (L&I), and Department of Health (DOH). There are currently 258,189 noncustodial parents who hold valid licenses.
- License suspension is an enforcement tool of last resort. Before DCS pursues suspension of an obligated parent's license, we exhaust all other collection remedies. DCS does not use license suspension as a punitive measure, but as a way to encourage noncustodial parents to negotiate payment agreements on their child support obligations. License suspension has proven to be a very effective tool, especially for self-employed noncustodial parents or those who do not earn wages reported through Employment Security.

DCS License Suspension Actions

- From October 2000 through September 2001, DCS mailed 21,369 **License Suspension Warning Letters**, served 13,609 **Notices of Noncompliance and Intent to Suspend Licenses**, requested 10,573 **License Suspension Certifications**, and requested 5,062 **License Suspension Cancellations**.
- At any point during a license suspension action, a noncustodial parent can start payment negotiations with DCS and stop the license suspension process. Requesting a modification of a child support order or an administrative hearing will delay license suspension action for up to six months.

Budget

The License Suspension Program cost an estimated \$149,000 from October 2000 through September 2001 including:

- Salary for one license suspension coordinator,
- Salary for several programmers,
- Salary for one analyst,
- Mailing costs for warning letters and notices sent to delinquent noncustodial parents

Successes

- DCS received over \$50 million in voluntary payments as a result of the license suspension program:
 - \$38 million from serving noncustodial parents with **Notices of Noncompliance and Intent to Suspend Licenses**.
 - \$12 million in response to the warning letter.
- DCS suspended 10,347 driver's licenses and cancelled the suspension of 4,912 driver's licenses. The effectiveness of this program is especially significant because the threat of license suspension increases collections on cases where the noncustodial parent is not employed in the traditional job market, and therefore is not subject to wage withholding.
- Collections increased more than 300% on the cases where DCS took license suspension action. DCS studied collections before and after license suspension activity for four, one-month periods: March 1998, March 1999, May 1999, and May 2000. In each period, DCS examined the amount of support collected where DCS initiated a license suspension action. DCS compared collections on each case six months prior and six months after the license suspension activity. The data from these studies confirmed that license suspension action increased collections.
- Collections increased from \$31 million in 1999/2000 to \$50 million in 2000/2001. This 61% increase resulted from the special emphasis placed on license suspension during the past year. Support Enforcement Officers increased the priority of license suspension as an enhanced case management tool. Lists of appropriate cases were provided to officers by the Support Enforcement Management System (SEMS). Support Enforcement Officers directed their time and effort to serving notices and negotiating payment agreements.

Background

The Washington State Legislature authorized the Department of Social and Health Services (DSHS), through the Division of Child Support (DCS), to suspend the licenses of noncustodial parents who failed to meet their child support obligations.

The mission of DCS is to improve the lives of children and benefit families and taxpayers by providing quality child support services in a fair and fiscally responsible manner. The License Suspension Program is one of many ways that DCS accomplishes its mission.

DCS uses many tools to collect child support obligations established through court or administrative orders. Wherever possible, DCS collects delinquent support through payroll deduction. However, DCS does not have this option for the self-employed noncustodial parent. Some self-employed individuals freely pay child support, but many do not. License suspension is particularly effective in these cases.

Before DCS can suspend a noncustodial parent's license, the noncustodial parent must be more than six months in arrears and DCS must have exhausted all other administratively available collection remedies. DCS may not suspend the license of an individual who receives any type of public assistance, who actively pursues modification of the child support order, or who requests a hearing.

Program Goals and Objectives

The goal of the license suspension program is to convert non-paying parents into paying parents by negotiating long-term payment plans. The program is an effective means of establishing communication with a non-paying noncustodial parent in order to compel payment of a child support obligation. DCS requests license suspension of noncustodial parents who appear to have the ability to pay but for whom other administrative collection remedies are unavailable.

The license suspension process allows the noncustodial parent ample time to contact DCS to negotiate fair and reasonable payments with their Support Enforcement Officer. The Support Enforcement Officer has latitude in negotiating with the noncustodial parent. Officers consider each parent's unique circumstances during negotiations.

DCS License Suspension Program

The license suspension program has five distinct phases:

- Phase 1 DCS automatically sends a License Suspension Warning Letter to noncustodial parents living in Washington State who have not made a child support payment in the last sixty days and who owe more than \$1000. Staff may also generate these letters to noncustodial parents who are close to meeting license suspension program criteria in the hope that they will contact DCS to negotiate payments. The letter warns the noncustodial parent that DCS can request a licensing agency to suspend a license and the letter encourages the noncustodial parent to contact DCS.
- DCS sent 137,246 warning letters from July 1997, when the program began, through September 2001. Of that total, DCS generated 21,369 during the reporting period of October 2000 through September 2001. DCS sent the warning letters to noncustodial parents who met the program criteria during this period and had not previously received a warning letter.
- Phase 2 If the noncustodial parent has not contacted DCS within thirty days of receiving the warning letter, DCS may serve a **Notice of Noncompliance and Intent to Suspend Licenses** by certified mail. The **Notice** explains the options available to the noncustodial parent. Within twenty days of service of the notice, the noncustodial parent may contact DCS to negotiate payments, request a hearing, or request modification of the child support order.
- Phase 3 Many noncustodial parents contact DCS after service of the **Notice** to negotiate payments. After twenty days, if the noncustodial parent has not contacted DCS, staff may issue the **License Suspension Certification**. The **Certification** is forwarded to the appropriate licensing agency and the Department of Fish and Wildlife is notified by file transfer protocol (FTP). A copy of the **Certification** is sent to the noncustodial parent.
- Phase 4 Upon receipt of DCS's **Certification**, each agency sends its own notice to the noncustodial parent. The agency letter informs the noncustodial parent that DCS certified the license for suspension, indicates what steps the noncustodial parent needs to take to get the license reinstated, and notes any applicable fees.
- Phase 5 Frequently the letter from the licensing agency is what prompts the noncustodial parent to contact DCS to negotiate license reinstatement. The noncustodial parent can either pay the debt in full, or sign a **Payment Agreement – License Suspension**. As soon as the noncustodial parent

pays the debt or negotiates repayment, DCS sends the **License Suspension Cancellation Notice** to the appropriate agency with FTP notice to the Department of Fish and Wildlife. For those noncustodial parents who need to have their license reinstated immediately, DCS will contact the licensing agency and obtain immediate reinstatement of the license.

Total Payments Attributable to License Suspension Activity

DCS received over \$50 million in voluntary payments for this reporting year, October 2000 through September 2001. The following chart illustrates the number of cases receiving payments, the total of those payments, and the dollars collected per case for each of the various case types.

TANF cases

Cases included in the TANF numbers are those where the entire debt is owed to the State of Washington. When a custodial parent receives TANF, the State of Washington is assigned the rights to the child support owed for the months in which assistance is received. From October 2000 through September 2001, the State collected and retained over \$12 million for TANF reimbursement because of license suspension activity. This is more than double the amount collected in the previous reporting period. The receipt of regular child support payments can assist families in their effort to leave public assistance.

Non-assistance/Former TANF cases

The non-assistance/former TANF cases, with collections of over \$20 million, are of particular interest. At one time, these households received assistance. Frequently these households rely on child support to fill the gap between earnings and expenses. Child support is a vital component of their family income and enhances their ability to remain off public assistance.

Non-assistance cases

Non-assistance collections were over \$17 million for the reporting period. This is money sent directly to custodial parents. Even though these families have never received a cash assistance grant, there are some that have received food stamps and medical assistance. The receipt of regular child support payments is as vital to these families as it is to those who were formerly on assistance.

Foster care cases

DCS received approximately \$113,000 on foster care cases, frequently the most difficult collection cases. Many of the children placed in foster care come from households relying on TANF.

Total Voluntary Payments Received After License Suspension Activity

Case Type	# Cases with Payments from 10/00 – 9/01	Total of Payments
TANF	19,680	\$12,173,140
Non-assistance	21,260	\$17,608,986
Non-assistance/ former TANF	21,877	\$20,685,335
Foster Care	849	\$113,308
Total	63,666	\$50,580,769

It is important to emphasize that only voluntary payments are included in the totals. DCS excluded the following from the overall total collections on these cases:

- Payments received from payroll deductions,
- Orders to withhold and deliver,
- Unemployment compensation,
- Labor and Industries benefits,
- IRS refund intercepts.

Payments in Response to Warning Letter or Notice

Although DCS is not required by law to send a **Warning Letter**, DCS decided to warn noncustodial parent's that DCS was considering license suspension. Our goal is not to suspend licenses. Our goal is to negotiate child support payment agreements. In reviewing collection figures, we have ascertained that the **Warning Letter**, by itself, is an inexpensive and effective tool.

The chart below shows the collections generated in response to a **Warning Letter**. Since the license suspension program began in July 1997, DCS has mailed 137,246 **Warning Letters**. For this legislative report period, October 2000 through September 2001, DCS mailed 21,369 letters at a cost of approximately \$.50/letter for a total cost of \$10,684.50. During this same period, DCS received \$12,022,957 in voluntary payments from noncustodial parents who were mailed a **Warning Letter**. This is an efficient way to generate collections on cases with collection challenges.

Voluntary Payments Received After a Warning Letter

Case Type	# Cases with Payments from 10/00 – 9/01	Total of Payments
TANF	4,569	\$1,438,575
Non-assistance	7,480	\$7,180,771
Non-assistance/ former TANF	5,743	\$3,362,501
Foster Care	385	\$41,110
Totals	18,177	\$12,022,957

DCS generated 25,466 **Notices of Noncompliance and Intent to Suspend Licenses** from October 2000 through September 2001. The approximate cost is \$4.50 per notice for a total of \$114,600. DCS must serve the **Notice** on the noncustodial parent by certified mail or process service before DCS can pursue suspension of a license. DCS served 13,609 **Notices** during this period. Service of the **Notice** is the most expensive and time-consuming step in the license suspension process. The chart below list payments received this year on cases in which the **Notice** was served during the last two years. Most of the collections generated by the license suspension program were in response to the **Notice**. Again, the numbers demonstrate that license suspension is a productive collection tool.

Voluntary Payments Received After a Suspension Notice

Case Type	# Cases with Payments from 10/00– 9/01	Total of Payments
TANF	15,111	\$10,734,564
Non-assistance	13,780	\$10,428,214
Non-assistance/ former TANF	16,134	\$17,322,833
Foster Care	464	\$72,195
Totals	45,489	\$38,557,806

License Suspension Hearings

The **Notice of Noncompliance and Intent to Suspend Licenses** advises noncustodial parents that they have twenty days in which to request an administrative hearing. If a noncustodial parent requests a hearing within twenty days, DCS stops all license suspension actions until after the hearing process is complete. A noncustodial parent may request a hearing after this twenty-day period, but that request does not stay any license suspension action that may have already occurred. Of the 13,609 **Notices** served on noncustodial parents

during this report period, only 448 noncustodial parents requested a hearing. Because of continuous negotiation efforts by DCS staff, DCS is often able to settle most of these issues before going to a hearing.

When staff receive a hearing request, they review the case to ensure that it meets statutory and program requirements. DCS sends the request to the Office of Administrative Hearings (OAH), where it receives a docket number and a hearing date. At the same time, DCS sends the noncustodial parent a letter explaining the license suspension hearing process. The letter informs the noncustodial parent that DCS would prefer to settle the case without a hearing, and offers a pre-hearing opportunity to review and settle the case.

If the noncustodial parent does not respond to the settlement offer, DCS contacts the noncustodial parent a second time before the hearing to attempt again to settle the case. This is the point at which most of these cases are settled.

As of October 17, 2001, DCS had resolved 316 of the 448 hearing requests received during the reporting period.

Of the 448 cases, DCS resolved 61 of them by settlement before the hearing. Eighty-five cases were resolved in the formal hearing process. DCS withdrew the **Notice** in 79 cases. DCS withdraws a **Notice** when the noncustodial parent pays the case in full, DCS charges off the debt because of a conference board decision, or the noncustodial parent receives some form of public assistance. Ninety-one cases resulted in default because the noncustodial parent failed to appear for the hearing. The hearing process is still ongoing in 132 cases.

At the completion of the hearing process, the administrative law judge (ALJ) issues a decision based on the facts presented. The noncustodial parent may appeal this decision to the Board of Appeals and later to Superior Court.

Resolution of Hearings

Resolved Cases	Number	Percent
Settlement/Order of Dismissal Entered	85	19
Withdrawal by DCS	79	17
Withdrawal by noncustodial parent	61	14
Default (failure to appear)	91	20
Hearing Pending	132	30
Totals	448	100.0

Successes and Related Information

Department of Licensing's (DOL) license information is available through the Support Enforcement Management System (SEMS). SEMS interfaces with DOL on a quarterly basis. Staff can readily see if a noncustodial parent has a driver's license to suspend. Similar arrangements are in place with the Department of Labor and Industries (L&I) and the Department of Health (DOH). Staff can also go on-line to DOL and check on the status of a license in real time.

In order to streamline the license suspension process, DCS decentralized the certification and reinstatement process as of December 1999. Before that date, staff had to request certification and reinstatement through the license suspension coordinator (LSC) in Olympia. Field staff would e-mail a request to the LSC to certify or reinstate a license. The LSC would review field staff requests to determine if staff were properly requesting license suspension. The LSC would then generate the forms, sign, and route them to the proper agency. This process was burdensome for field staff. DCS decided to decentralize and streamline the process. DCS trained the collection staff in all nine field offices during November and December of 1999 in the proper procedures to follow in certifying and reinstating licenses.

In August 2001, License Suspension began interfacing with the Department of Fish and Wildlife's (F&W) WILD (Washington Interactive Licensing Database) licensing program. Before the introduction of WILD, the Department of Fish & Wildlife could not prevent point of sale license issuance for noncustodial parents with a suspended license. This meant that for the first three plus years of the license suspension program, we could not prevent a delinquent parent from obtaining a hunting or fishing license. DCS no longer sends paper suspension and reinstatement forms to F&W. Each night a file is FTP'd (File Transfer Protocol) to F&W and the information is loaded into the WILD licensing computer. This transfer allows overnight reinstatements and suspensions. Many parents have called to make payment arrangements specifically because they were prevented from obtaining a hunting or fishing license. DCS is exploring a similar FTP process with DOL. It is expected that our interface with DOL will also be paperless by the end of 2001.

In the 2000 License Suspension program report, DCS reported that the Division had reinstated approximately 50% of the suspended licenses. Reinstatement occurs when the noncustodial parent negotiates a repayment agreement with DCS staff. Most noncustodial parents whose licenses DCS suspends are not employed in the traditional job market and these individuals do not receive a paycheck. They are part of a group from which it is harder to collect. Establishing regular payments on 50% of these cases is a significant accomplishment. The chart below shows DCS license suspension activity for the last three legislative reporting periods. The volume of license suspension activity continues to increase. In addition, the high success rate continues as illustrated by the percentage of reinstatements.

License Suspension Activity Comparison

Legislative Reporting Period	# Licenses Suspended	# Licenses Reinstated	% Reinstated
Oct 98 – Sept 99	1,192	548	46%
Oct 99 – Sept 00	4,394	2,083	47%
Oct 00 – Sept 01	10,573	5,062	48%

This chart shows that the percentage of reinstatements is increasing. The interface with F&W may account for this increase. Noncustodial parents who were not concerned with the loss of their driver's license are contacting DCS in order to receive a hunting or fishing license.

The majority of licenses suspended by DCS are driver's licenses, as the chart below illustrates. In December 1999, DCS began initiating license suspension actions against those noncustodial parents who already had a suspended driver's license because of some other violation. This change ensures that a noncustodial parent would also recognize their need to resolve their child support delinquency. It also prevented delinquent noncustodial parents from surrendering their Washington State driver's license in another state and receiving a driver's license from that state.

DCS has developed a productive working relationship with staff in the Mandatory License Suspension Unit at DOL. They are readily available to answer questions, take telephone calls, and provide immediate actions to allow DCS to meet its customers' needs. DCS certifies for suspension approximately 880 of the 30,000 licenses DOL suspends each month. DCS appreciates the excellent customer service provided to DCS and to the public by DOL staff.

License Suspension Activity per Agency

Agency	# licenses certified	# licenses reinstated
Department of Licensing Driver's Licenses	10,347	4,912
Department of Licensing Bus. And Prof.	104	80
Department of Health	67	39
Department of Labor and Industries	46	24
Department of Social and Health Services	3	3
Office of the Insurance Commissioner	2	1
Liquor Control Board	1	1
Department of Financial Institutions	1	1
Department of Ecology	1	1
Washington State Bar Association	1	0
Totals	10,573	5,062

The above chart illustrates the suspension and reinstatement rate for most licenses.

On the Horizon

DCS continues to improve the license suspension program to increase outcomes. During the first year of the program, DCS maintained careful, centralized control of the program. The License Suspension Coordinator reviewed and approved all line staff action and personally sent suspension requests. In December 1999, DCS streamlined the process by decentralizing all license suspension activity. DCS contracted with Labor and Industries to automatically interface with SEMS and provide field staff with Labor and Industries licensing information.

As this report is being prepared, DCS is seeing the first benefits of the interface with Fish & Wildlife's WILD system. The opening of hunting season has prompted a number of noncustodial parents to contact DCS to negotiate the reinstatement of their hunting licenses. We are anticipating a similar bounce in March and April of 2002 when fishing license sales start in earnest.

The planned electronic interface with DOL will speed the suspension, and more importantly, the reinstatement of driver's licenses. This will improve our customer service and reduce the costs of the program.